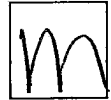


**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-01049A  
Morenci Water and Electric Company  
P.O. Box 68  
Morenci, AZ 85540



RECEIVED

ARIZONA CORP COMM  
Director Utilities

**ANNUAL REPORT**

FOR YEAR ENDING

12	31	2006
----	----	------

FOR COMMISSION USE

ANN05	06
-------	----

5-18-07

## COMPANY INFORMATION

**Company Name (Business Name)** THE MORENCI WATER & ELECTRIC COMPANY

**Mailing Address** P.O. BOX 68

(Street)

MORENCI

(City)

ARIZONA

(State)

85540

(Zip)

(928) 865 2229

Telephone No. (Include Area Code)

(928) 865 5261

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** dtrue@phelpdodge.com

**Local Office Mailing Address** same as above

(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

## MANAGEMENT INFORMATION

**Management Contact:** D.L. TRUE SUPERINTENDENT

(Name)

(Title)

P.O. BOX 68

(Street)

MORENCI

(City)

ARIZONA

(State)

85540

(Zip)

(928) 865 2229

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** dtrue@phelpsdodge.com

**On Site Manager:** same as above

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

**Statutory Agent:** Alexis D. Zerwas  
(Name)  
**4521 US HIGHWAY 191** **MORENCI** **ARIZONA** **85540**  
(Street) (City) (State) (Zip)  
**(928) 865 6252** **(928) 865 5261**  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

**Attorney:** ROSHKA HEYMAN & DEWULF  
(Name)  
**400 East Van Buren Street Suite 800** **Phoenix** **AZ** **85540**  
(Street) (City) (State) (Zip)  
**(602) 256 6100** **(602) 256 6800**  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

- |   |  |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S)    | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P)        | <input type="checkbox"/> Subchapter S Corporation (Z)                                |
| <input type="checkbox"/> Bankruptcy (B)         | <input type="checkbox"/> Association/Co-op (A)                                       |
| <input type="checkbox"/> Receivership (R)       | <input type="checkbox"/> Limited Liability Company                                   |
| <input type="checkbox"/> Other (Describe) _____ |  |

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- |                                     |                                   |  |
|-------------------------------------|-----------------------------------|--|
| <input type="checkbox"/> APACHE     | <input type="checkbox"/> COCHISE  | <input type="checkbox"/> COCONINO            |
| <input type="checkbox"/> GILA       | <input type="checkbox"/> GRAHAM   | <input checked="" type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ     | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE              |
| <input type="checkbox"/> NAVAJO     | <input type="checkbox"/> PIMA     | <input type="checkbox"/> PINAL               |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI  | <input type="checkbox"/> YUMA                |
| <input type="checkbox"/> STATEWIDE  |                                   |  |

**UTILITY PLANT IN SERVICE**

<b>Acct. No.</b>	<b>DESCRIPTION</b>	<b>Original Cost (OC)</b>	<b>Accumulated Depreciation (AD)</b>	<b>O.C.L.D. (OC less AD)</b>
301	Organization			
302	Franchises			
303	Land and Land Rights	151,165	0	151,165
304	Structures and Improvements	2,041,597	1,738,002	303,595
307	Wells and Springs			
311	Pumping Equipment	53,571	44,123	9,448
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	1,162,058	755,021	407,037
331	Transmission and Distribution Mains	663,008	518,305	144,703
333	Services	26,718	1,754	24,964
334	Meters and Meter Installations	82,539	18,083	64,456
335	Hydrants	427	151	276
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	45,418	45,418	0
340	Office Furniture and Equipment	91,149	57,901	33,248
341	Transportation Equipment	111,040	111,040	0
343	Tools, Shop and Garage Equipment	18,530	8,134	10,396
344	Laboratory Equipment	915	412	503
345	Power Operated Equipment	33,578	31,587	1,991
346	Communication Equipment			
347	Miscellaneous Equipment	25,446	24,316	1,130
348	Other Tangible Plant	244,714	27,292	217,422
	<b>TOTALS</b>	<b>4,751,873</b>	<b>3,381,539</b>	<b>1,370,334</b>

This amount goes on the Balance Sheet Acct. No. 108

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights	151,165	0%	NONE
304	Structures and Improvements	2,041,597	3.11%	63,487
307	Wells and Springs			
311	Pumping Equipment	53,572	3.97%	2,126
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	1,162,058	3.05%	35,477
331	Transmission and Distribution Mains	663,008	2.52%	16,679
333	Services	26,718	2.00%	534
334	Meters and Meter Installations	85,537	8.14%	6,719
335	Hydrants	427	10.00%	43
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	45,418	-	NONE
340	Office Furniture and Equipment	91,149	18.55%	16,908
341	Transportation Equipment	111,040	0.00%	0
343	Tools, Shop and Garage Equipment	18,530	20.00%	3,706
344	Laboratory Equipment	915	10.00%	92
345	Power Operated Equipment	33,578	11.86%	3,981
346	Communication Equipment			
347	Miscellaneous Equipment	25,446	.60%	154
348	Other Tangible Plant	244,714	6.91%	16,914
	<b>TOTALS</b>	<b>4,751,873</b>		<b>166,821</b>

This amount goes on the Comparative Statement of Income and Expense \_\_\_\_\_  
Acct. No. 403.

### BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 1,110,039	\$ 3,111,535
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	304,572	319,729
146	Notes/Receivables from Associated Companies	9,359,296	7,947,402
151	Plant Material and Supplies	85,749	167,821
162	Prepayments		2,082
174	Miscellaneous Current and Accrued Assets	3,882	3,882
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$ 10,863,538</b>	<b>\$ 11,552,451</b>
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$20,424,219	\$21,387,575
103	Property Held for Future Use		
105	Construction Work in Progress	175,113	0
108	Accumulated Depreciation – Utility Plant	(4,738,388)	(5,377,002)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	<b>TOTAL FIXED ASSETS</b>	<b>\$15,860,944</b>	<b>\$16,010,574</b>
	<b>TOTAL ASSETS</b>	<b>\$26,724,482</b>	<b>\$27,563,024</b>

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

**BALANCE SHEET (CONTINUED)**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>LIABILITIES</b>		
	<b>CURRENT LIABILITES</b>		
231	Accounts Payable	\$ 8,592,492	\$ 1,003,086
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	11,470,234	4,341,062
235	Customer Deposits	27,592	23,768
236	Accrued Taxes	185,199	1,057,458
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	352,834	1,367,353
	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$20,628,351</b>	<b>\$7,792,727</b>
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$0	\$0
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt	\$0	\$0
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	339,133	819,778
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax	2,057,157	2,057,157
	<b>TOTAL DEFERRED CREDITS</b>	<b>\$ 2,396,290</b>	<b>\$ 2,876,935</b>
	Other Deferred Credits	138,020	128,774
	<b>TOTAL LIABILITIES</b>	<b>\$ 2,534,310</b>	<b>\$ 3,005,709</b>
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$1,413,815	\$14,522,523
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	2,148,006	2,242,065
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	<b>\$3,561,821</b>	<b>16,764,588</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$26,724,482</b>	<b>\$27,563,024</b>

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

<b>Acct. No.</b>	<b>OPERATING REVENUES</b>	<b>PRIOR YEAR</b>	<b>CURRENT YEAR</b>
461	Metered Water Revenue	\$ 729,469	\$ 719,076
460	Unmetered Water Revenue		
474	Other Water Revenues	55,373	48,620
	<b>TOTAL REVENUES</b>	<b>\$ 784,842</b>	<b>\$ 767,696</b>
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$ 426,239	\$ 458,844
610	Purchased Water	81,338	74,156
615	Purchased Power	39,728	56,737
618	Chemicals	103,425	128,709
620	Repairs and Maintenance	23,936	27,475
621	Office Supplies and Expense	31,676	39,537
630	Outside Services	181,473	155,899
635	Water Testing	4,341	
641	Rents	3,870	2,903
650	Transportation Expenses	11,177	4,653
657	Insurance – General Liability	12,120	11,292
659	Insurance - Health and Life	153,726	101,899
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	8,993	14,518
403	Depreciation Expense	133,825	166,821
408	Taxes Other Than Income	243	
408.11	Property Taxes	38,762	130,489
409	Income Tax	(180,677)	(238,160)
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,074,195</b>	<b>\$ 1,135,772</b>
	Deferred Income Tax	(3,659)	(3,659)
	<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (285,694)</b>	<b>\$ (364,417)</b>
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	<b>\$ (285,694)</b>	<b>\$ (364,417)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ (285,694)</b>	<b>\$ (364,417)</b>



**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

	<b>LOAN #1</b>	<b>LOAN #2</b>	<b>LOAN #3</b>	<b>LOAN #4</b>
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ None

Meter Deposits Refunded During the Test Year

\$ None

**COMPANY NAME THE MORENCI WATER AND ELECTRIC CO.**

## **WATER COMPANY PLANT DESCRIPTION**

### **WELLS**

<b>ADWR ID Number*</b>	<b>Pump Horsepower</b>	<b>Pump Yield (gpm)</b>	<b>Casing Depth (Feet)</b>	<b>Casing Diameter (Inches)</b>	<b>Meter Size (inches)</b>	<b>Year Drilled</b>
55-624-247	60	500	148'	20"	8"	1972
55-624-246	60	500	148'	20"	8"	

\* Arizona Department of Water Resources Identification Number

### **OTHER WATER SOURCES**

<b>Name or Description</b>	<b>Capacity (gpm)</b>	<b>Gallons Purchased or Obtained (in thousands)</b>
PHELPS DODGE CORPORATION		

<b>BOOSTER PUMPS</b>		<b>FIRE HYDRANTS</b>	
<b>Horsepower</b>	<b>Quantity</b>	<b>Quantity Standard</b>	<b>Quantity Other</b>
50	2		
5	3		
1000	2		

<b>STORAGE TANKS</b>		<b>PRESSURE TANKS</b>	
<b>Capacity</b>	<b>Quantity</b>	<b>Capacity</b>	<b>Quantity</b>
750,000	1	0	
500,000	4		
101,000	1		
228,000	1		
10,000	2		
5,000	1		
7,500	1		

COMPANY NAME THE MORENCI WATER AND ELECTRIC COMPANY

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**

MAINS		
Size (in inches)	Material	Length (in feet)
2	Steel	19,440
3	Cement Asbestos	5,430
4	Cement Asbestos	34,760
5	None	
6	Cement Asbestos	32,955
8	Cement Asbestos	73,395
10	Cement Asbestos	13,090
12	Cement Asbestos	12,760
6	C 900 PVC	2,300

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 X 3/4	1,357
3/4	299
1	71
1 1/2	8
2	46
Comp. 3	8
Turbo 3	5
Comp. 4	1
Turbo 4	
Comp. 6	
Turbo 6	
Total	1,795

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

2-CLARIFIER, 4 SAND FILTER, 2 CHLORINE UNITS

2 WELLS

---

---

---

---

---

STRUCTURES:

TREATMENT PLANT, PUMP STATION

---

---

---

---

---

OTHER:

---

---

---

---

---

**COMPANY NAME: THE MORENCI WATER AND ELECTRIC CO.**

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006**

<b>MONTH</b>	<b>NUMBER OF CUSTOMERS</b>	<b>GALLONS SOLD</b>	<b>GALLON PUMPED (Thousands)</b>
<b>JANUARY</b>	1,838	27,517,000	
<b>FEBRUARY</b>	1,873	26,796,000	
<b>MARCH</b>	1,786	28,921,000	
<b>APRIL</b>	1,761	39,342,000	
<b>MAY</b>	1,780	48,207,000	
<b>JUNE</b>	1,780	58,143,000	
<b>JULY</b>	1,756	56,621,000	
<b>AUGUST</b>	1,757	51,386,000	
<b>SEPTEMBER</b>	1,768	45,494,000	
<b>OCTOBER</b>	1,785	43,045,000	
<b>NOVEMBER</b>	1,780	33,952,000	
<b>DECEMBER</b>	1,784	35,775,000	
<b>TOTAL</b>		<u>465,199,000</u>	

**Is the Water Utility located in an ADWR Active Management Area (AMA)?**

**( X ) Yes                      ( ) No**

**Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?**

**( ) Yes                      ( X ) No**

**If yes, provide the GPCPD amount:\_\_\_\_\_**

**What is the level of arsenic for each well on your system. > 0.001 mg/l**  
*(If more than one well, please list each separately.)*

***Note: If you are filing for more than one system, please provide separate data sheets for each system.***

COMPANY NAME THE MORENCI WATER AND ELECTRIC CO. YEAR ENDING 12/31/2006

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2006 was: \$ 167,975

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Morenci Water & Electric  
Morenci, Arizona**

VENDOR: Greenlee County Treasurer

DATE: 04/27/06

**17114**

Invoice Number	Invoice Date	Amount	Discount	Net Amount
050106-01	05/01/06	37,511.26		37,511.26
<b>TOTALS:</b>		<b>\$37,511.26</b>	<b>\$37,511.26</b>	<b>\$37,511.26</b>

The attached check is in payment for items described above.

PAGE 1 of 1

**The Morenci Water & Electric Company  
P.O. Box 68  
Morenci, AZ 85540-0068**

The Stockmen's Bank  
1 Morenci Plaza Morenci Az 85540

91-504  
1221

**17114**

DATE
04/27/06

AMOUNT
*****\$37,511.26
NOT VALID AFTER 180 DAYS

**PAY**  
**TO THE**  
**ORDER**  
**OF:**  
Greenlee County Treasurer  
PO Box 1227  
Clifton AZ 85533

**NON-NEGOTIABLE**

AUTHORIZED SIGNATURE

\*\*\*\*COPY\*\*\*\*COPY\*\*\*\*COPY\*\*\*\*COPY\*\*\*\*COPY\*\*\*\*

## PROPERTY TAXES

TAX ROLL	1ST HALF (due 11/01/05)	2ND HALF (due 5/01/06)	Total Tax Amount
5469	3017.14	3017.14	6034.28
5471	1574.56	1574.56	3149.12
5470	4399.39	4399.39	8798.78
5468	1526.93	1526.93	3053.86
5526	15549.89	15549.89	31099.78
5528	4368.95	4368.95	8,737.90
5525	272.91	272.91	545.82
5531	1,367.60	1,367.60	2,735.20
5527	3271.03	3271.03	6542.06
5529	2045.83	2045.83	4091.66
186	117.03	117.03	234.06
2575	10.80		10.80
177	22.12		22.12
185	28.50		28.50
2576	3.64		3.64
3224	10.70		10.70
3223	0.12		0.12
2584	10.62		10.62
2583	32.28		32.28
2580	10.80		10.80
2579	14.34		14.34
2573	3.64		3.64
2577	7.16		7.16
187	27.98		27.98
199	2.42		2.42
2574	7.16		7.16
2572	3.64		3.64
2571	3.64		3.64
2568	5.78		5.78
2578	7.16		7.16
2567	8.64		8.64
206	2.78		2.78
<b>Totals:</b>	<b>37,735.18</b>	<b>37,511.26</b>	<b>75,246.44</b>

75246.44 |

\*\*\*\*COPY\*\*\*\*COPY\*\*\*\*COPY\*\*\*\*COPY\*\*\*\*COPY\*\*\*\*



Parcel #	1ST Half 2006 Due 11/01/2006	2ND Half 2006 Due 05/01/2007
200-57-002	\$ 18.78	\$ -
200-58-001A	\$ 24.20	\$ -
200-58-001B	\$ 106.00	\$ 106.00
200-58-001C	\$ 23.76	\$ -
200-60-021	\$ 2.06	\$ -
200-61-012A	\$ 2.30	\$ -
300-07-001	\$ 7.14	\$ -
300-07-002	\$ 4.78	\$ -
300-09-003	\$ 3.00	\$ -
300-09-004	\$ 3.00	\$ -
300-09-005	\$ 3.00	\$ -
300-09-006	\$ 5.90	\$ -
300-09-007	\$ 8.90	\$ -
300-09-008	\$ 3.00	\$ -
300-09-009	\$ 5.90	\$ -
300-09-010	\$ 5.90	\$ -
300-09-011	\$ 11.82	\$ -
300-09-012	\$ 8.90	\$ -
300-10-001	\$ 26.60	\$ -
300-10-002A	\$ 9.18	\$ -
300-79-001	\$ 0.10	\$ -
300-79-002	\$ 8.80	\$ -
917-00-300	\$ 1,199.78	\$ 1,199.78
917-00-310	\$ 2,659.76	\$ 2,659.76
917-01-800	\$ 3,685.18	\$ 3,685.18
917-01-810	\$ 1,291.46	\$ 1,291.46
968-50-300	\$ 61,078.12	\$ 61,078.12
968-50-310	\$ 52,572.78	\$ 52,572.78
968-51-800	\$ 5,707.35	\$ 5,707.35
968-51-810	\$ 1,976.58	\$ 1,976.58
Total	<u>\$ 130,464.03</u>	<u>\$ 130,277.01</u>

**VERIFICATION  
AND  
SWORN STATEMENT**  
Taxes

**RECEIVED**

MAY 03 2007

AZ CORP COMM  
Director Utilities

**VERIFICATION**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>GREENLEE</u>
NAME (OWNER OR OFFICIAL) TITLE <u>D.L. TRUE / SUPERINTENDENT</u>
COMPANY NAME <u>THE MORENO WATER AND ELECTRIC CO.</u>

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



SIGNATURE OF OWNER OR OFFICIAL

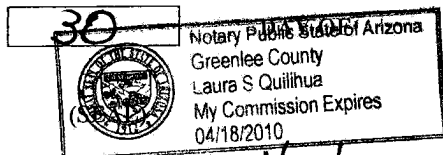
(928) 865-2229

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

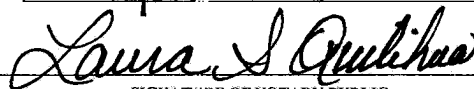
THIS



MY COMMISSION EXPIRES

4/18/2010

COUNTY NAME <u>Greenlee</u>	
MONTH <u>April</u>	20 <u>07</u>



SIGNATURE OF NOTARY PUBLIC

COMPANY NAME THE MORENCI WATER AND ELECTRIC CO. YEAR ENDING 12/31/2006

**INCOME TAXES**

For this reporting period, provide the following:

Federal Taxable Income Reported NONE  
Estimated or Actual Federal Tax Liability NONE

State Taxable Income Reported NONE  
Estimated or Actual State Tax Liability NONE

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances NONE  
Amount of Gross-Up Tax Collected NONE  
Total Grossed-Up Contributions/Advances NONE

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

  
SIGNATURE

4/30/07  
DATE

D.L. TRUE  
PRINTED NAME

SUPERINTENDENT  
TITLE

RECEIVED

MAY 03 2007

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

AZ CORP COMM  
Director Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	GREENLEE
NAME (OWNER OR OFFICIAL) TITLE	D.L. TRUE / SUPERINTENDENT
COMPANY NAME	THE MORENCI WATER AND ELECTRIC CO.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ <u>826,403</u>

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 58,706  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST  
INCLUDE SALES TAXES BILLED OR  
COLLECTED. IF FOR ANY OTHER REASON,  
THE REVENUE REPORTED ABOVE DOES NOT  
AGREE WITH TOTAL OPERATING REVENUES  
ELSEWHERE REPORTED, ATTACH THOSE  
STATEMENTS THAT RECONCILE THE  
DIFFERENCE. (EXPLAIN IN DETAIL)**

*D.L. True*  
SIGNATURE OF OWNER OR OFFICIAL

(928) 865-2229  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

30

DAY OF

COUNTY NAME	<u>Greenlee</u>
MONTH	<u>April</u>
YEAR	<u>2007</u>

(SEAL)



Notary Public State of Arizona  
Greenlee County  
Laura S. Quilhua  
My Commission Expires 04/18/2010

*Laura S. Quilhua*  
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

4/18/2010

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

RECEIVED

MAY 03 2007

AZ CORP COMM  
Director Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) GREENLEE	
NAME (OWNER OR OFFICIAL) D.L. TRUE	TITLE SUPERINTENDENT
COMPANY NAME THE MORENCI WATER AND ELECTRIC CO.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 474,089

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 27,257  
IN SALES TAXES BILLED, OR COLLECTED)

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

*D.L. True*  
SIGNATURE OF OWNER OR OFFICIAL

(928) 865-2229  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

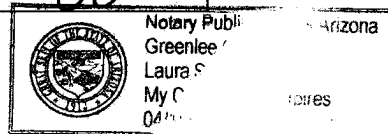
30

DAY OF

(SEAL)

MY COMMISSION EXPIRES

4/18/2010



NOTARY PUBLIC NAME <u>LAURA S. Quilthua</u>	
COUNTY NAME <u>Greenlee</u>	
MONTH <u>April</u>	20 <u>07</u>

*Laura S. Quilthua*  
SIGNATURE OF NOTARY PUBLIC

